



Date: July 10, 2015

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Marvin G. Williams, Director of Public Works
Subject: Underground Private Utility Installation Cost Recovery

Executive Summary

This staff report is to present information about options for cost recovery for the review, permitting, utility locating, and inspections for the private installation of underground utilities and related appurtenances. The attached report and presentation discuss the costs for both the existing staff resources as well as the costs associated for the additional consulting staffing resources to compensate for the large backbone installation of fiber services.

The analysis is based on the latest available data from private utilities in combination with historical trends, which have been extrapolated through calendar year 2016.

Recommendation

The Public Works department recommends that City Council receive the staff report on Underground Private Utility Installation Cost Recovery and direct staff on the preferred option for cost recovery.

Background

Since 2011, the private utility permit program has seen an increase in both the number of permits and amounts of installations. Growth of the program has been substantial since the 2011 period (422 permits), doubling the number of permits issued by 2014 (921 permits) and expected to triple the 2011 number of permits in 2015.

During the early months of 2015, Google and AT & T announced that both companies would pursue large fiber installations in Durham. With this announcement, the task of administering the program became more than the current staff load could absorb or even effectively hire in time to provide services. In response to this effort to provide both service to the customers and protection of infrastructure for the citizens the City of Durham responded with the decision to hire a consultant to mitigate the staff impacts.

During these discussions, it became evident that the revenue generated was not keeping pace with the costs of administering the program with either existing staff or proposed consultants. The attached staff report and presentation speak to the changes for cost recovery.

Issues and Analysis

Prior to 2006, no fees were charged in the City of Durham for utilities installed by private companies in the public rights of way. The lack of oversight, dedicated staff, and increasing volume of private utility work resulted in damage to various public utilities and infrastructure

throughout the City. In 2006, the Public Works Department developed a new initiative based on the volume of work at the time, and created the Private Utility Permitting Program. The program implemented a \$0.25 per linear foot plus a \$40.00 right of way permit fee. For the first two years of the program, the private utility companies continued to work in the public rights of way, completing the permit process but refusing to pay the new permit fees when billed. In 2008 the fee schedule was revisited, prompted by requests from the City of Durham to the various utility companies for payment of the past due bills. The utility industry joined forces with local developers on the matter and proposed a tiered fee schedule, which after many months of additional conversation eventually became the current Private Utility fee schedule (below) adopted in June 2010.

<i>Current Private Utility Permit Fee Schedule</i>	
<i>Tiered Schedule (in linear feet of installation)*</i>	<i>Fee Structure</i>
200 feet or less	\$50
Over 200 feet, up to 1,000 feet	\$120
Over 1,000 feet, up to 5,000 feet	\$460
Over 5,000 feet, Calculate per above rates	Additive for above rates (ex. 5,150 lf = \$510)

With the announcement of multiple large fiber builds in early 2015, the City of Durham engaged the services of a private consultant to provide temporary staff to support the explosion of work in the private utility program. In order to support the costs associated with the program, the Public Works Department is assessing the relevant fee structures in this agenda item.

The Public Works Department has reviewed the historic and future workload information provided by private utilities. Utilizing this information with staffing requirements needed to fulfill existing workloads and the costs associated with existing staff and proposed consultant fees, Public Works has developed the following options for cost recovery and re-inspection fees.

Proposed Base Permitting and Inspection Fees

<i>Cost Recovery</i>	<i>Permit Fee (Per Installation)</i>		<i>Inspections and Locating Fee (Per Installation) per Linear Foot</i>
	<i>Base Fee</i>	<i>Fee per Linear Foot</i>	
50%	\$250	\$0.030	\$0.20
75%	\$325	\$0.040	\$0.29
100%	\$400	\$0.050	\$0.36

Proposed Re-inspection and Failure to Permit Fees

The Public Works Department recommends the following fees to deal with poor quality repair and restoration work done by contractors as well as work done without appropriate permits.

Type of Fee	Fee	Comments
*Re-inspection	\$325	Will be charged for each instance for re-inspection of work where contractors fail to restore right of way per City Standards
*Work without Permit	3 times the calculated standard fee above	Will be charged for when an applicant completes work without appropriate permits and payment of fees.

** Public Works recommends that City Council grant the Public Works Director or Designee the right to waive the fee down to the calculated fee in extenuating circumstances (example: emergency work).*

Based on the suggested fees above (not including re-inspection or work without permit fees), Public Works has estimated the following revenues based on existing fee structures and proposed Cost Recovery. The estimated revenues below are composite totals for all of the private utilities that we currently have doing work in the area. The anticipated changes of the cost recovery on a specific private entity will depend on the type of work and amount of installation performed. For estimated charges on existing individual private entities please see the staff report and presentation.

Projected Revenues at the Existing Fee and Proposed Cost Recovery

Revenue Projection Year	Existing Fee Structure	Cost Recovery			Comments
		50%	75%	100%	
*2014	\$114,420	\$338,655	\$454,862	\$561,643	Projected Revenues prior to the large fiber installations with historical permitting information
**2015	\$409,830	\$933,290	\$1,295,567	\$1,604,754	Includes the large fiber installations projections (see note below)
2016	\$476,368	\$1,082,920	\$1,497,832	\$1,861,390	Includes the large fiber installations projections

**(Note: Year 2014 is shown to give a perspective of what revenues would be in a normal year absent large project installations)*

*** (Note: Yearly revenue projections will be reduced approximately 8% to 12% for each month that fee changes are not enacted as permit requests are currently in process.)*

Alternatives

City Council can choose from the following alternatives:

- 1) Direct staff to utilize a different percentage of cost recovery.
- 2) Keep the current rates and not pursue additional revenue.

Financial Impact

The Financial Impact section is as follows for the proposed options (Note that the financial impact each year to the City is based off the staff costs plus the 2 year consultant contract of \$2.4 Million):

<i>Revenue Projection Year</i>	<i>No Change to existing fee</i>	<i>Cost Recovery</i>		
		<i>50%</i>	<i>75%</i>	<i>100%</i>
<i>Potential Financial Impacts to City of Durham in 2015 and 2016*</i>	\$2,514,310	\$1,384,298	\$607,109	No Cost

*(Note: The revenue projections for these years will be reduced approximately 8% to 12% for each month that fee changes are not enacted as permit requests are currently in process which will increase financial impacts for Cost Recovery Scenarios)

SDBE Summary

The SDBE Summary section is not applicable for this update.